

REMARKS

In response to the non-final Office Action mailed February 8, 2005, Applicants respectfully request reconsideration of all outstanding rejections in view of the following remarks. Claim 9 has been amended. Claims 1-26 are currently pending.

I. The Information Disclosure Statement

Per the Examiner's request, Applicants provided duplicate copies of the non-U.S.-patent literature cited in the IDS of August 21, 2001 ("the IDS"). Applicants respectfully request that the Examiner consider all references cited in the IDS and initial the appropriate fields in recognition thereof.

II. The Pending Claims Meet The Requirements of 35 U.S.C. § 101

A. The Pending Claims Are Directed To A Patentable Business Method

The pending claims are directed to statutory business methods and corresponding systems. It is beyond dispute that these methods of doing business are patentable under § 101. Indeed, the Court of Appeals for the Federal Circuit explicitly repudiated the notion that there is a business method exception to patentability. *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 47 USPQ2d 1596 (Fed. Cir. 1998) ("[T]he court relied on the judicially-created, so-called 'business method' exception to statutory subject matter. *We take this opportunity to lay this ill-conceived exception to rest.*" (emphasis added)). However, the U.S. Patent Office ("USPTO") appears to be relying on this very exception in rejecting the pending claims. Although the USPTO asserts that the rejection relies on the so-called abstract idea exception to patentability, it appears that the present rejection is simply an attempt to resurrect the business method exception from the dead. As discussed in detail below, the pending claims are patentable in view of each judicially-created exception to patentability.

The pending claims are not directed to “abstract ideas” or “mental steps.” “Abstract ideas” are just that: ideas. Ideas and mental steps exist only in a person’s mind. Applicants respectfully assert that the elements of the pending claims require definite actions and do not exist solely in a person’s mind. Claim 1, for example, recites the real-world steps of “obligating a first party,” “creating a trust,” “receiving second money,” and “funding the trust.” The limitations directed to “obligating a ... party” are meant to encompass a contractual obligation. *See, e.g.,* Specification, page 13, lines 3-5. Contract law has been in existence for centuries. It is eminently well-known that a contract cannot and does not exist only in a person’s mind, but requires definite, concerted, real-world action by at least two parties. There is nothing remotely abstract about creating a contractual obligation between parties. Applicants strongly traverse any assertion that “obligating a ... party” represents an abstract idea or mental step. Further, Applicants fail to see any tenable argument that “creating a trust” represents an abstract idea or mental step. Indeed, the thousands of U.S. lawyers who practice trust and estate law would be shocked by assertions that “creating a trust” is an abstract idea or mental step without any real-world application. Arguments that “creating a trust” represents an abstract idea or a mental step cannot withstand scrutiny.

The same is true for “receiving ... money.” To assert that “receiving ... money” is an “abstract idea” or a “mental step” is beyond merely untenable: “receiving ... money” is the quintessential real-world action, the polar opposite of an abstract idea or mental step. Employees the world over who diligently labor at their duties expect real and tangible compensation and would surely take exception if they were given an abstract idea instead of “receiving money.” There can be no serious argument that “receiving ... money” represents an abstract idea or a mental step. As a last example in a list that is by no means exhaustive, “funding a trust” is not an abstract idea or mental step. This assertion is completely self-evident. Again, there is no tenable argument that “funding a trust” represents an abstract idea or mental step. In sum, each of the limitations in the pending claims recites a real-world step or component that is simply impossible to fit inside a person’s mind. The assertion that the claims are directed to abstract ideas or mental steps is beyond untenable, it is viscerally false.

The claims are not directed to “abstract mathematical algorithms.” Indeed, as discussed above, there is nothing at all “abstract” about any of the claim limitations. The claim limitations cannot be met solely by a person together with pencil and paper. There is nothing abstractly mathematical about, for example, “obligating a ... party” or “receiving ... money.” There is simply no argument that the pending claims are directed to a mathematical algorithm in the abstract.

For the record, Applicants state that the very existence of a mathematical algorithm exception to patentability is in doubt. In *AT & T Corp. v. Excel Communications Inc.*, 50 USPQ2d 1447 (Fed. Cir. 1999), the Court decided as follows: “Because Section 101 includes processes as a category of patentable subject matter, the judicially-defined proscription against patenting of a ‘mathematical algorithm,’ *to the extent such a proscription still exists, is narrowly limited to mathematical algorithms in the abstract.*” *Id.* at 1450 (emphasis added).

The claims are not directed to non-functional or disembodied data structures. Any data structure used as part of the claimed invention contains more than mere descriptive material. For example, “obligating a first party” creates a set of duties between parties. Even if this limitation is interpreted as requiring a contract recorded in a data structure, it is far from “non-functional” or “disembodied.” As another example, “receiving ... money” transcends a mere disembodied data structure. A data structure may be used to receive money by way of, for example, an electronic wire transfer. However, such a data structure is not “disembodied” or “non-functional.” Quite the contrary, “receiving ... money” is highly functional. In short, the claimed invention is not a disembodied data structure, although it may incorporate certain data structures having real-world uses.

In any event, a limitation that may encompass a data structure does not poison a claim otherwise directed to statutory subject matter. *Diamond v. Diehr*, 450 U.S. 175, 187 (“A claim drawn to subject matter otherwise statutory does not become nonstatutory simply because it uses a mathematical formula, computer program or digital computer.”); *State Street*, at 1601 (“[A] process, machine, manufacture, or composition of matter employing a law of nature, natural

phenomenon, or abstract idea is patentable subject matter even though a law of nature, natural phenomenon, or abstract idea would not, by itself, be entitled to such protection.”).

The Examiner cites case law that stands for the proposition that non-functional descriptive material, such as music or literary works, does not become statutorily patentable simply because it is recorded on a computer-readable medium. Applicants have no quarrel with that assertion. Applicant do, however, strongly traverse that the pending claims are amenable to such analysis. As discussed above, the present claims are not directed to mere descriptive material embodied on a data structure. The subject matter of the pending claims is not even slightly analogous to music or a literary work. Although the pending claims may include limitations directed to certain particular functional data structures, Applicants reiterate that the inclusion of such does not convert an otherwise patentable claim into unpatentable subject matter. *Id.*

For completeness, Applicants state here as self-evident that the pending claims are not directed to laws of nature or natural phenomenon.

As explained in detail above, the pending claims do not fall within any of the judicially-created exceptions to patentability. Because the exceptions to patentability are just that - exceptions - claims that are not exceptional must be patentable. Applicant respectfully requests that the Examiner withdraw the rejection over § 101.

B. The Pending Claims Produce A Useful, Concrete, And Tangible Result

Applicants preface this section by asserting that the requirement of being “useful, concrete, and tangible” is *not relevant* to the pending claims. This requirement arose in the *State Street* opinion as an analytical tool to separate patentable subject matter from non-statutory *mathematical algorithms*. *State Street* does *not* imply that business methods must satisfy the “useful, concrete, and tangible” test, rather, *State Street* mandates this test only for mathematical algorithms. The test is simply inapplicable to business methods. Just as the Court in *Ex parte Bowman* (cited by the Examiner on page 3 of the Office Action) found the USPTO’s Examination Guidelines for Computer-Related Inventions irrelevant for analyzing a non-

computer invention, the *State Street* analysis of the mathematical algorithm exception is irrelevant for analyzing the pending business method claims. *Cf. Ex parte Bowman*, 61 USPQ2d 1669, 1671 (Bd. Pat. App. & Int. 2001). Moreover, *State Street* itself rang the death bell for the business method exception to patentability. Nevertheless, to ensure a complete record and expedite prosecution, Applicants state that the present claims meet the *State Street* standard for mathematical algorithms, as discussed immediately below.

The claim are directed to a “useful” invention. As best understood, “useful” in this context requires some practical utility or real-world value. For the record, Applicants traverse this alleged requirement of § 101. Specifically, “practical utility” is a requirement of § 112, first paragraph, and is improperly shoehorned into an analysis under § 101. Nevertheless, the pending claims are directed to an invention with great practical utility and real-world value. Indeed, the claims are directed to the creation of particular financial instruments. Few things have more real-world usefulness than money. The creation of a new financial instrument is useful for a plethora of entities, including institutional and individual investors. Thus, the pending claims are plainly directed to a useful invention.

As best understood, the term “concrete,” in this context, means that the claimed invention produces an assured or reproducible result. Again, the pending claims plainly meet this alleged criterion. The claims are generally directed to the construction of a financial instrument. There is nothing uncertain about the pending claims. Business methods are not generally “unpredictable,” as some biological arts may be. Following the method claim steps will assuredly produce the desired result: the securitization of a particular asset. Accordingly, the pending claims meet the requirement of being directed to a “concrete” invention.

Finally, the claims are directed to a “tangible” invention. As discussed in detail in Section A above, there is nothing abstract about the subject matter of the pending claims. In contrast with the facts of *Bowman*, where the invention could be practiced entirely by an individual with a pencil and paper, here, there are concrete real-world steps. Such tangible steps include, by way of non-exhaustive example, “obligating a first party,” “creating a trust,” “receiving second money,” and “funding the trust.” The claims are plainly directed to a tangible invention.

C. The Pending Claims Use Technological Arts In A Non-Trivial Manner

Applicants note for the record that there is absolutely no requirement in § 101 or associated case law mandating “non-trivial” use of the technological arts. This requirement conflates the statutory subject matter requirements of § 101 with the novelty and non-obviousness requirements of §§ 102 and 103, respectively. Indeed, a case cited by the Examiner, *In re Musgrave*, 167 USPQ 280 (CCPA 1970), states supports Applicants’ contention. (The Examiner cites this case on page 3 of the Office Action, albeit as “*In re Waldbaum*.”) *Musgrave* explicitly holds that “novelty and advancement of an art are irrelevant to a determination of whether the nature of a process is such that it is encompassed by the meaning of ‘process’ in 35 U.S.C. § 101.” A requirement of “non-triviality” in the technological arts essentially boils down to a requirement for novelty and non-obviousness. The Examiner has not asserted that the pending claims are anticipated or obvious. Accordingly, even if a “non-triviality” requirement exists, and Applicants do not so concede, it would properly be placed in the category of prior art considerations, and the Examiner is silent with respect to any prior art. Nevertheless, the pending claims are directed to an invention that uses the technological arts in a non-trivial manner, as explained immediately below.

The Examiner correctly acknowledges that portions of the claimed invention may be implemented on a computer. Indeed, the Examiner states that claims 9-18 are directed to a “data structure.” Of course, data structures exist only in computers. Accordingly, the Examiner has properly recognized that portions of the present invention may be implemented on a computer. The claimed invention therefore uses the technological arts (*e.g.*, a computer) in a highly non-trivial manner: the computer implementation meets the alleged “technological arts” requirement, and the lack of prior art cited by the Examiner evidences the “non-triviality” of the claimed invention. Moreover, the portions of the invention that may be implemented on a computer are non-trivial because they appear in the body of the claims, not just the preamble. In short, portions of the invention may be computer-implemented in more than a tangential way; the pending claims meet the alleged requirement that the technological arts be used in a non-trivial manner.

Applicants note here that a “computer” need not be explicitly disclosed in order to comply with the alleged technological arts requirement. Indeed, a case cited by the Board of Patent Appeals and Interferences in *Bowman* supports this contention. See *In re Dossel*, 42 USPQ2d 1881 (Fed. Cir. 1997) (cited in the *Bowman* concurrence at 1674). Administrative Judge Dixon relies on *Dossel* in the *Bowman* concurrence to state that “a computer may arguably not be required to be disclosed,” and distinguishes *Bowman* as failing to argue that a computer may be used to practice or apply the claimed process. The present case is easily distinguishable from *Bowman* in this regard. That is, even if the USPTO holds that no computer is explicitly disclosed, Applicants argue, in agreement with the Examiner, that certain claim elements may be computer-implemented. Thus, in contrast with the facts in *Bowman*, the present invention meets the requirements of § 101. Applicants state that, just as the Examiner relies on the reasoning of *Bowman* while hedging that “the *Bowman* ruling cannot be used as precedent,” Applicants rely on the reasoning of *Bowman* to illustrate how the present claims are clearly patentable subject matter, without conceding that Applicants are bound by *Bowman*.

D. Other Arguments Appearing In The Office Action

The Office Action states that certain claim elements are passive data structures, which “are not capable of performing any function.” The Office Action gives an example of such an allegedly passive data structure as “a legal document, a contract.” To the contrary, the data structures on which certain claim limitations may be read are highly-functional. To rebut the specific example referred to in the Office Action, a contract functions to create an obligation between two (or more) parties. This function of contracts, whether they be implemented as data structures or otherwise, cannot be ignored or dismissed. The other data structures on which claim limitations may read are similarly functional. As discussed above, the claim limitation of “receiving ... money” may involve a data structure as part of an electronic wire transfer. Such a data structure cannot reasonably be classified as non-functional when it facilitates the transfer of cold hard cash from one person to another.

Finally, the Examiner has rejected claims 9-18 as reciting "the presence of a human." Claim 9 has been amended accordingly. Applicants respectfully request that the Examiner withdraw the rejection in view of this amendment.

III. Conclusion

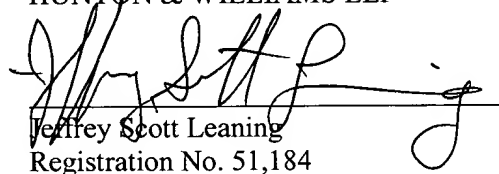
In view of the foregoing, it is respectfully submitted that the present application is in condition for allowance, and an early indication of the same is courteously solicited. The Examiner is respectfully requested to contact the undersigned by telephone at the below-listed telephone number, in order to expedite resolution of any issues and to expedite passage of the present application to issue, if any comments, questions, or suggestions arise in connection with the present application.

This Reply includes a Petition for a Three-Month Extension of Time and associated fees. No additional fee is believed to be required for entry and consideration of this timely Reply. Nevertheless, in the event that the U.S. Patent and Trademark Office requires any additional fee to enter this Reply or to maintain the present application pending, please charge such fee to the undersigned's Deposit Account No. 50-0206.

Respectfully submitted,

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